

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01

SWF-02 DRC-01 /183 W
----- 110394

R 271900Z MAR 74

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 3746

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY BRASILIA

AMCONSUL GUAYAQUIL

AMEMBASSY SAN JOSE

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L MANAGUA 1142

E. O. 11652: GDS

TAGS: ETRD, NU

SUBJECT: BANANAS AND STANDARD FRUIT

1. GENERAL ANASTASIO SOMOZA ADVISED ME DURING A DISCUSSION ON MARCH 26 THAT HE HAD MET WITH STANDARD FRUIT PRESIDENT KIRCHOFF AND VICE PREISDENT WAITE IN BLUEFIELDS ON SATURDAY, MARCH 23. SOMOZA SAID THAT DISCUSSION HAD BEEN USEFUL AND HELPFUL BUT THAT HE HAD EXPLAINED TO KIRCHOFF AND TO THE STANDARD FRUIT EXECUTIVES THAT IN VIEW OF THE RELATIVELY MINOR POSITION OF THE BANANA INDUSTRY IN NICARAGUA HE (SOMOZA) WAS NOT IN A STRONG POSITION IN ATTEMPTING TO AMELIORATE THE POSITION OF FIGUERES, LOPEZ AND TORRIJOS. SOMOZA STATED THAT KIRCHOFF AND WAITE HAD EMPHASIZED THAT
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THE \$1 A BOX PROPOSED TAX ON BANANAS WOULD SO DRASTICALLY

REDUCE THE MARKET IN THE UNITED STATES THAT THEIR OPERATIONS WOULD BE ENTIRELY UNPROFITABLE AND THAT THEY WOULD, AS A RESULT, BE FORCED TO CLOSE DOWN THEIR OPERATIONS.

2. COMMENTING ON HIS DISCUSSIONS WITH KIRCHHOFF AND WAITE, SOMOZA EXPRESSED HIS CONCERN OVER THE PROPOSED CARTEL TAX ARRANGEMENT AND ADVISED THAT ON MONDAY, MARCH 25, HE HAD TELEPHONED COSTA RICAN PRESIDENT FIGUERES TO MAKE KNOWN TO HIM HIS CONCERN OVER THE POSSIBLE CONSEQUENCES OF THIS TAX BUT HAD FOUND FIGUERES EXTREMELY ADAMANT AND ARGUMENTATIVE. SOMOZA SAID THAT FIGUERES HAD TOLD THE CHIEFS OF GOVERNMENT MEETING IN TEGUCIGALPA LAST WEEK THAT HE (FIGUERES) HAD "CHECKED THIS TAX MATTER OUT WITH THE U.S. DEPARTMENT OF STATE AND HAD FOUND THAT THEY DID NOT OBJECT." SOMOZA SAID THAT HE TOLD FIGUERES IN HIS TELEPHONE DISCUSSION OF MARCH 25 THAT IT WAS DIFFICULT FOR HIM TO RATIONALIZE THE "NON-OBJECTION" OF THE U.S. GOVERNMENT AS HE HAD STATED IT WHEN THE U.S. GOVERNMENT WAS OPPOSING SUCH CARTEL TYPE ARRANGEMENTS IN ITS EFFORT TO BRING IN MORE RATIONAL PRICE STRUCTURE TO PETROLEUM. SOMOZA SAID THAT FIGUERES MADE NO RESPONSE BUT DID NOT REPEAT HIS STATEMENT REGARDING HAVING "DISCUSSED THE MATTER WITH THE DEPARTMENT OF STATE" BUT INSTEAD SAID THAT HE (FIGUERES) BELIEVED HE COULD PERSUADE THE STEVEDORES IN NEW YORK NOT TO UNLOAD STANDARD FRUIT BOATS IF THEY DID NOT ACCEPT THE PROPOSED TAX. SOMOZA SAID HE TOLD FIGUERES THAT HIS OWN EXPERIENCE WITH THE SHIPPING INDUSTRY (SOMOZA IS THE PRINCIPAL OWNER OF MAMENIC STEAMSHIP LINES) DID NOT CONVINCE HIM THAT SUCH ACTION WAS POSSIBLE. SOMOZA ADDED THAT FIGUERES SAID HE INTENDED TO GO ON A TRIP TO ECUADOR, COLOMBIA, BRAZIL AND OTHER BANANA RAISING COUNTRIES OF THE WESTERN HEMISPHERE TO GAIN SUPPORT FOR THE PROPOSED TAX.

3. SOMOZA FURTHER ADVISED THAT WAITE OF STANDARD FRUIT HAD TELEPHONE HIM MARCH 26 FROM TEGUCIGALPA AFTER HAVING MET WITH GENERAL LOPEZ. SOMOZA HAS GAINED THE IMPRESSION THAT LOPEZ IS CONSIDERABLY MORE CAUTIOUS ABOUT THE IMPOSITION OF THIS TAX THAN IS FIGUERES.

4. SOMOZA SAID THAT IT APPEARED RATHER CLEAR TO HIM AT THIS STAGE THAT ECUADOR WOULD NOT REPEAT NOT GO ALONG WITH ANY CONFIDENTIAL

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SIGNIFICANT TAX AND IN THE ABSENCE OF THIS THAT A DOLLAR A BOX TAX ON CENTRAL AMERICAN BANANAS WOULD WORK GREAT HARDSHIP ON THE BANANA INDUSTRY IN CENTRAL AMERICA TO THE ADVANTAGE OF ECUADOR. SOMOZA'S OVERALL JUDGMENT IS THAT THE SITUATION IS BECOMING SO CONFUSED WITH DIFFERING VIEWS AND DEGREES OF VIEWS EXISTING IN A NUMBER OF COUNTRIES TO THE EXTENT THAT HE DOES NOT BELIEVE THAT THE CARTEL ARRANGEMENT OF \$1 A BOX TAX WILL BE IMPLEMENTED AND THAT IN THE END

PERHAPS SOME COMPROMISE ARRANGEMENT, SUCH AS ONE-HALF A CENT PER POUND, WILL BE AGREED UPON WHICH WOULD BE REASONABLY ACCEPTABLE TO EVERYONE CONCERNED WITH THE POSSIBLE EXCEPTION OF PRESIDENT FIGUERES WHO UNDOUBTEDLY WOULD BE FORCED TO ACCEPT SUCH AN ARRANGEMENT IF EVERYONE ELSE AGREED. SOMOZA IS OF THE OPINION THAT THERE IS A POSSIBILITY THAT UNITED BRANDS IS PUSHING THIS TAX ARRANGEMENT SINCE A PORTION OF THE TAX WOULD BE EARMARKED FOR THE BANANA PRODUCERS AND, IN EFFECT, THE TAX WOULD BE SUBSIDIZING THE PRODUCERS OF UNITED BRANDS' BANANAS WHEREAS THE ARRANGEMENTS OF STANDARD FRUIT ARE SUCH THAT SIMILAR ADVANTAGES WOULD NOT ACCRUE TO THE STANDARD FRUIT COMPANY. SOMOZA EMPHASIZED THAT HE DOES NOT KNOW THIS TO BE A FACT, BUT THAT THE ACTION OF UNITED INDICATES THAT THEY ARE SEEKING A COMPETITIVE ADVANTAGE OVER STANDARD THROUGH THE ACCEPTANCE OF THIS TAX ARRANGEMENT.
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